



VI. Credit and Finance



Commission Recommendations: The Commission wanted USDA to disallow nonfarm corporations to become direct competitors with farmers in agriculture production (recommendation 3.17). It also recommended that Rural Business Service (RBS) revise Business and Industry (B&I) regulation 4279-113(h). In addition, the Commission wanted RBS to strengthen bank use of B&I loan programs (Recommendation. 4.10) and wanted RBS to conduct outreach for the Intermediary Re-lending Program (IRP) through regional and national conferences (recommendation 4.11).

AGENCY HIGHLIGHTS

Farm Service Agency (FSA)

■ FSA provides loans to family size farm operations, as required by law. The chart below shows the types of loans and amounts approved by FSA in FY 2002 and 2003:

	FY 2002 Dollars in Billions	FY 2003 Dollars in Billions
Loan Amounts		
Direct Operating Loans (OL)	\$ 668	\$ 690
Guaranteed OL Regular	\$1,053	\$1,013
(Interest Assistance)	\$ 496	\$ 418
Direct Farm Ownership	\$ 178	\$ 169
Guaranteed Farm Ownership	\$1,101	\$1,231
Emergency	<u>\$ 58</u>	<u>\$ 96</u>
TOTAL	\$3,554	\$3,617
Number of Loans		
	<u>FY 2002</u>	<u>FY 2003</u>
Direct Operating Loans	14,623	14,756
Guaranteed Operating Loans	6,733	6,576
(Interest Assistance)	2,729	2,213
Direct Farm Ownership	1,521	1,453
Guaranteed Farm Ownership	3,905	4,198
Emergency	<u>949</u>	<u>1,479</u>
TOTAL	30,460	30,675



- As required by law, FSA targets a percentage of loan funds to socially disadvantaged applicants (SDAs), who are defined as minorities and women. In FY 2003, loans to SDAs increased by 13 percent over FY 2002. Loans to minorities alone increased by 7.5 percent.
- On January 8, 2002, FSA published a final rule to simplify and streamline the procedures to apply for and make emergency loans.

Rural Development

Business and Cooperative Programs

- Rural Development is revising its Business and Industrial (B&I) loan regulations, strengthening bank use of B&I programs and conducting outreach for the Intermediary Re-lending Program through regional and national conferences.
- The option of purchasing stock in a start-up value-added cooperative has been available under the B&I program, but revised regulations to be published in FY 2005 will make it much easier for small farmers. Additionally, a Cooperative Stock Purchase Program brochure is available from Business Programs.
- By May 2004, \$22.8 million in competitive grants will become available to purchase renewable energy systems and make energy improvements for agricultural producers and rural small businesses.

How B&I Guaranteed Loans Helped

- **Colorado, Montana, Nebraska, and Wyoming—Cooperative Stock Purchase Loan:** USDA guaranteed over \$10 million in Wells Fargo Bank loans to help the Rocky Mountain Sugar Growers Cooperative get started, allowing 485 sugar beet growers to purchase stock in the new co-op and keeping existing refinery plants operating in 4 states.
- **California—B&I Guaranteed Loan:** USDA guaranteed a loan for F.B. Fisheries, a minority-owned aquaculture farm in the Riverside County Empowerment Zone producing tilapia fish. USDA's guarantee and leveraged outside funds created 14 jobs, saved 5 others, and allowed purchase of 30 additional tanks and other improvements.
- **Montana—Intermediary Re-lending Program:** Hahn Ranch Feed and Supply is a 2000 startup that quickly outgrew their first location. USDA's revolving loan fund, plus outside funding, helped the firm relocate, add storage, and increase inventory. The expansion increased their gross sales to more than \$1 million in 2003 and created five new jobs.

Utilities Programs

- Rural Development's Utilities Programs provide indirect assistance to small and minority farmers through its electric, telecommunications, water, and waste disposal programs. Through loans and grants, the Utilities Programs help rural communities finance infrastructure utilities,



and works with rural co-ops, non-profits, public bodies, and for-profit utilities. The Utilities Programs are also helping to establish new and vital services like broadband, distance learning, and telemedicine.

Housing and Community Programs

■ Rural Development's Housing Programs facilitate homeownership, develop rental housing, and promote community development. In FY 2003, the agency helped more than 60,000 families buy or repair their homes, and provided more than \$5 billion for housing and community facilities.

The Farm Labor Housing Programs provide low-interest loans and grants to public or nonprofit agencies or to individual farmers to build affordable rental housing for farm workers. In FY 2003, Rural Development awarded \$55.9 million in Farm Labor Housing loans and \$5.8 million in Farm Labor Housing grants. The agency targeted the funds to the neediest areas, and used them to build 792 housing units and rehabilitate 2,598.

Farm Labor Housing Funding

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Loans	\$33,142,913	\$47,321,620	\$55,861,660
Grants	\$9,480,325	\$14,461,761	\$5,822,467

In FY 2003, Rural Development assessed the more than 44,000 units in the multifamily housing portfolio to determine the best way to continue to provide affordable housing and make changes where needed. Work began on a multi-year strategic plan to identify long-term financial, technological, and human capital needs.

The agency also laid the groundwork for a pilot program to make it easier for faith-based organizations to partner with Rural Development to provide housing and essential community facilities for rural communities.

Through the Community Facilities Program, Rural Development helped finance day care centers and other essential services so parents have a safe place for their children while they are at work.

FLORIDA

■ **Farm Labor Housing Grant/Loan:** In 2003, Rural Development gave Catholic Charities a \$2.5 million loan and a \$500,000 grant to expand its facilities for low-income farm workers. The money will finance 26 more housing units and a 10,000-square-foot community center. Catholic Charities also received Rental Assistance subsidy to reduce rents for farm worker families.



NEW MEXICO

■ **Community Facilities Grant:** Rural Development provided \$75,185 in Community Facilities funding to expand El Centro De Los Ninos, an early childhood education center in New Mexico's Rio Arriba County, a region with one of the highest unemployment rates in the state.